



OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

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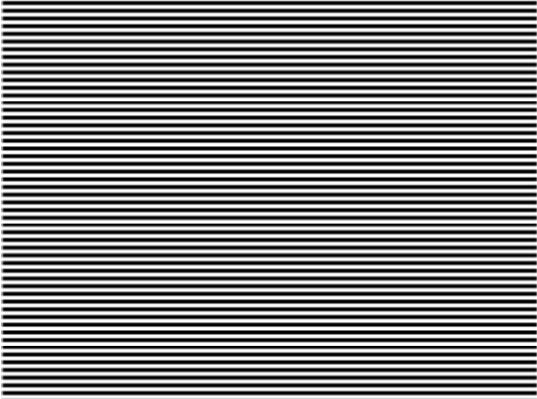
Auditor of State David A. Vaudt today released a report on the Iowa Judicial Branch – County Clerks of District Courts, a part of the State of Iowa, for the year ended June 30, 2004.

The Judicial Branch provides court services through the County Clerks of District Courts in each of Iowa's 99 counties. The County Clerks of District Courts are responsible for providing, managing and maintaining document processing activities of civil, probate, criminal, juvenile, traffic, child support and small claims for the courts. They also collect, deposit, disburse and account for all fees and other monies paid to the County Clerks of District Courts' offices.

Vaudt made recommendations to improve segregation of duties in the various County Clerks of District Courts' offices and strengthen controls over cash receipts, cash disbursements and financial reporting. Vaudt also made recommendations to improve various aspects of the Iowa Court Information System. Judicial Branch officials responded to each item in the report and stated corrective action is being taken.

A copy of the report is available for review in the Office of Auditor of State.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA JUDICIAL BRANCH –
COUNTY CLERKS OF DISTRICT COURTS**

JUNE 30, 2004

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





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September 8, 2005

To the Iowa Judicial Branch:

The Iowa Judicial Branch – County Clerks of District Courts is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2004.

In conducting our audits, we became aware of certain aspects concerning the Iowa Judicial Branch – County Clerks of District Courts' operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of the recommendations which pertain to the Iowa Judicial Branch – County Clerks of District Courts' internal control, compliance with statutory requirements and other matters. The recommendations have been discussed with Iowa Judicial Branch personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Judicial Branch, citizens of the State of Iowa and other parties to whom the Iowa Judicial Branch may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Judicial Branch – County Clerks of District Courts during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Iowa Judicial Branch are listed on page 12 and they are available to discuss these matters with you.

A handwritten signature in black ink, reading "David A. Vaudt".

DAVID A. VAUDT, CPA
Auditor of State

A handwritten signature in black ink, reading "Warren G. Jenkins".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2004

Findings Reported in the State's Single Audit:

No matters were noted.

Findings Related to Internal Control:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County Clerks of District Courts' financial statements.

The following procedures or compensating controls have not been implemented in certain County Clerk of District Court Offices:

- (1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records.
- (2) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording and accounting for disbursements.
- (3) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. As a compensating control, bank reconciliations could be reviewed monthly by an independent person for propriety. The independent review should be evidenced by the reviewer's initials or signature and the date of the review.
- (4) Checks are not signed by an individual who does not record cash receipts, approve disbursements or otherwise participate in the preparation of checks. Prior to signing, the checks and supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to the individual who prepared the checks or approved the disbursements.
- (5) Receipts are not posted to ICIS by an individual not responsible for setting up the case on the system.
- (6) The individual who opens the mail is authorized to make entries to the accounting records and has the ability to delete cases and zero out transactions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each County Clerk of District Court should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews would be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2004

Response – We will continue to investigate ways to strengthen internal control procedures in the Clerks' offices.

Conclusion – Response accepted.

- (B) Safekeeping of Receipts – In one County Clerk of District Court Office, cash and checks are not locked in a secure place when the office is closed.

Recommendation – Cash and checks should be locked in a secure place when the Clerk of District Court Office is closed.

Response – The Clerk has assured us receipts are in a secure, locked place when the office is closed.

Conclusion – Response accepted.

- (C) Manual Receipts – Manual receipts should be used when the ICIS system is down and should be recorded on ICIS at the time the ICIS receipt is prepared. The Judicial Branch Accounting Procedures Manual, Procedure #190.400, identifies the procedure/controls to be followed when issuing and processing manual receipts. The following items relating to manual receipts were noted in certain County Clerk of District Court Offices:

- (1) The numerical sequence of manual receipts was not accounted for.
- (2) The ICIS receipt number should be written on the manual receipt to indicate posting to ICIS. Certain manual receipts did not include this documentation. Also, the initials of the employee who posted the receipt to ICIS were omitted in some instances.
- (3) There was no evidence of independent review to ensure all manual receipts were posted to ICIS.
- (4) A significant number of manual receipts were used in situations other than when the ICIS system was down.
- (5) Manual receipts were not always posted to ICIS timely.
- (6) In one County Clerk of District Court Office, manual receipts could not be located for the year ended June 30, 2004.
- (7) In one County Clerk of District Court Office, prenumbered manual receipts were not utilized when the ICIS system was down.

Recommendation – The County Clerks of District Courts should limit use of manual receipts to only those times during which the ICIS system is down and should follow Judicial Branch Accounting Procedures and proper internal controls when processing manual receipts.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2004

Response – We will continue to work with the Clerks' offices to ensure the appropriate use of manual receipts.

Conclusion – Response accepted.

- (D) Timely and Intact Deposits – Accounting Procedure # 190.400 requires receipts to be deposited intact daily. In four County Clerk of District Court offices, receipts are deposited intact, but not always timely. In one County Clerk of District Court Office, receipts are not deposited intact or daily.

Recommendation – Deposits at certain County Clerks of District Court Offices should be made daily and intact as required.

Response – The Clerks' offices noted have assured us they will deposit intact and daily.

Conclusion – Response accepted.

- (E) Restrictive Endorsement – A restrictive endorsement was not placed on checks immediately upon receipt in accordance with Accounting Procedure # 190.400 in three County Clerk of District Court Offices.

Recommendation – A restrictive endorsement should be placed on all checks when received to provide protection in case of theft or loss.

Response – We are reviewing our policies concerning restrictive endorsements and will work with the Clerks to provide protection of checks.

Conclusion – Response accepted.

- (F) Court Ordered Trusts – In one County Clerk of District Court Office, approximately \$78,000 of interest earned on certain court ordered trusts was not posted to ICIS.

Recommendation – All interest earned on court ordered investments should be posted to ICIS as a miscellaneous trust in accordance with Accounting Procedure #130.400.

Response – The interest has been posted and the policy reviewed with the Clerk.

Conclusion – Response accepted.

- (G) Bank Account Signature Card – In one County Clerk of District Court Office, certain individuals who retired or whose employment was terminated were still listed as authorized signers on bank accounts. In one County Clerk of District Court Office, an individual whose job duties changed was still listed as an authorized signer on the bank account.

Recommendation – The County Clerks of District Courts should update bank signature cards to remove individuals who are no longer employed or have authority to sign checks in their offices.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2004

Response – Both Clerks now have current authorized signature cards.

Conclusion – Response accepted.

- (H) Case Delete Program – The County Clerks of District Courts' employees have access to the ICIS case delete program. The program deletes all information except the case number. This deleted information cannot be retrieved. Accounting Procedure #190.605 recommends the authority to delete a case should be limited to one or two persons in small offices and two or three persons in larger offices, requests to delete a case should be in writing and signed by the person deleting the case and the case delete log should be maintained and reviewed by the Clerk. Documentation of the deleted information is not always maintained and there is no evidence of review and approval of a deleted case at a number of locations.

Recommendation – The Iowa Judicial Branch should work with the County Clerks of District Courts to ensure access is limited, deletions are properly documented in accordance with established procedures and case delete logs are generated and reviewed by the Clerk.

Response – We will continue to work with the Clerks to ensure case deletion procedures are understood and followed.

Conclusion – Response accepted.

- (I) Disaster Recovery Plan – The primary work area for each County Clerk of District Court is at the county courthouse and, therefore, they are subject to disaster recovery policies established by County Boards of Supervisors. A number of Clerks have not prepared disaster recovery plans that address areas they are responsible for, such as the identification of staff responsibilities, establishment of a predetermined priority for processing, record recovery or restoration, and making provisions for the use of manual procedures, if necessary. In addition, for those Clerks that have developed a plan, in many cases, the plan still needs improvement in one or more areas.

Recommendation – The Iowa Judicial Branch should provide guidance to County Clerks of District Courts to aid in the development and implementation of a comprehensive disaster recovery plan that encompasses duties and responsibilities of each Clerk.

Response – We will work with the Clerks identified to improve their disaster recovery plans.

Conclusion – Response accepted.

- (J) Case File Information Changes – In all County Clerk of District Court Offices, employees can change or zero out amounts due on a case file. Late in fiscal 2003, the Iowa Judicial Branch developed a report, Zeroed Transactions in Production, that automatically identifies all changes made to amounts due on cases. Before a change can be posted, the ICIS system requires an explanation of the change be added to the change screen. The Zeroed Transactions in Production report can be printed at any time and includes all changes made and explanations for each change.

Recommendation – The Iowa Judicial Branch should develop procedures and work with the Clerks to ensure all changes to case file amounts are properly documented and reviewed for appropriateness. The Zeroed Transactions in Production report should be printed and

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2004

reviewed by each Clerk at least monthly. In small offices, these reports should be reviewed periodically by someone in the State Court Administration Office. The reports should be retained in accordance with Accounting Procedure #190.710.

Response – We will work closely with the Clerks identified to ensure they understand and implement the procedures that are established for case file information changes.

Conclusion – Response accepted.

- (K) Reverse Receipts – Employees in each County Clerk of District Court Office can reverse receipts from one category and re-enter the receipt in a different category to disburse the funds. The ICIS system does not ensure the receipt is re-entered.

Recommendation – The Iowa Judicial Branch should ensure receipts reversed out of the system are re-entered.

Response – With the new ICIS2 system, there will be minimal reversals. We also will continue to train and monitor the new reverse receipt policies.

Conclusion – Response accepted.

- (L) Iowa Court Information System – We performed a review of certain financial information recorded by County Clerks of District Courts in the Iowa Court Information System (ICIS) and the controls over ICIS and noted the following:

User Account Deletions – The County Clerks of District Courts are required to submit a deregistration form to the ICIS help desk when an employee departs so a call ticket is created to remove their user ID.

The user accounts of ten former employees were tested with the following results:

- One terminated employee still had an active user account that had not been removed, although the user account had been locked to prevent use.
- Two terminated employees had their user access properly removed, but removal was not supported with a call ticket.
- Five terminated employees did not have their access revoked for more than two weeks.

We also noted a periodic review of user accounts is not performed to help identify potential unauthorized users.

Recommendation – The ICIS Division should develop and implement procedures to promptly notify the help desk when employees depart. Also, a periodic review of all user accounts should be performed to help identify potential unauthorized users.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2004

Response – County Clerks of District Court and District Court Administration Staff are responsible for notifying IT staff via the help desk when employees leave Judicial Branch employment. In most cases this does happen. If we find that hasn't happened when validating user deregistrations against the Terminated Employee List received from HR we send an email to both the County Clerk of District Court and the District Court Administrator reminding them of their responsibilities.

- If an employee is being terminated the supervisor(s) may contact the help desk to have the accounts locked immediately for security reasons. The supervisor is then to follow-up with a deregistration request to the help desk. Sometimes this does not happen. In these situations a call ticket is generated and will not be closed until the deregistration has happened. We will monitor this more closely in the future.
- I have followed up with help desk staff and reminded them of their responsibilities to ensure call tickets are created when deregistrations take place.
- It appears we had not received notification from the Supervisor that the employee(s) had left Judicial Employment nor had we received the Terminated Employee List from HR. This list is generated by Central Payroll, mailed to Judicial Branch HR (local mail), then a copy is sent down to the help desk. Help desk staff verify user deregistration(s) and if there has not been one create a call ticket and put it into the deregistration process. From list generation to verification and deregistration can take weeks.

My intent is to have the list electronically emailed to the Judicial Branch help desk from Centralized Payroll, however, I have been told that cannot be accomplished until I3 is completely in place. I3 is apparently not ready for this process at this time.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2004

Findings Related to Statutory Requirements and Other Matters:

- (1) Settlement of Accounts – Certain fines, fees and surcharges were not remitted to the State of Iowa and to counties and cities monthly as required by Chapters 602.8108 and 602.8109 of the Code of Iowa.

Recommendation – All remittances should be made to the State of Iowa, cities and counties monthly as required by the Code of Iowa.

Response – We will continue to work with the Clerks to ensure timely remittance of the fines, fees and surcharges.

Conclusion – Response accepted.

- (2) Official Depositories

(a) The maximum amounts stated in certain resolutions were exceeded during the year ended June 30, 2004.

(b) The official name changed for certain depositories, but the required depository resolution change form was not properly filed to reflect the name changes at three County Clerk of District Court Offices.

Recommendation

(a) A new depository resolution should be filed in amounts sufficient to cover anticipated deposits.

(b) A depository resolution change form should be filed with the District Court Administrator in accordance with Accounting Procedure #130.250 when a depository changes names.

Response – The depository resolutions mentioned have been or will be corrected as soon as possible.

Conclusion – Response accepted.

- (3) Minimum Statutory Interest Rate – The interest rate on two time certificates of deposit did not meet the minimum rate of interest in accordance with Chapter 12C.6 of the Code of Iowa at one County Clerk of District Court Office.

Recommendation – Public fund time certificates of deposit shall be invested at a rate of interest which conforms with current rates for public funds on the date of investment. The Clerk should seek reimbursement of the additional interest due on these certificates of deposit. In addition, the Clerk should be aware of the current allowable rates to ensure the minimum allowable rate is received on all investments.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

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Response – We are working with the Clerk and the banks to ensure the interest rates meet the minimum requirement.

Conclusion – Response accepted.

- (4) Old Outstanding Trusts and Bonds – Chapter 556.11 of the Code of Iowa requires each County Clerk of District Court to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the State Treasurer's Office annually. Certain County Clerks of District Courts did not remit these obligations as required.

Recommendation – The outstanding checks, trusts, and bonds lists should be reviewed annually and amounts over two years old should be remitted to the State Treasurer's Office as required.

Response – We are working with the Clerks who did not report old outstanding trusts and bonds to the State Treasurer to ensure they report as required.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director
Joe T. Marturello, CIA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Crystal Berg, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Suzanne Hanft, CPA, Manager
Michelle B. Meyer, CPA, Manager
Steven M. Nottger, CPA, Manager
K. David Voy, CPA, Manager
Ron Swanson, CPA, Manager
Cynthia Weber, CPA, Manager

Iowa Judicial Branch
County Clerks of District Courts

Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2004

The following comment items correspond to the conditions noted in the comments and recommendations section of this report. The purpose of this summary is to identify the County Clerk of District Court Office the specific items relate to (designated by an "X"). Since comments and recommendations (K) and (L) apply to all County Clerk of District Court Offices, they are not included on the Matrix.

County Name	County Number	Internal Control											
		A(1)	A(2)	A(3)	A(4)	A(5)	A(6)	B	C(1)	C(2)	C(3)	C(4)	C(5)
Adair	1	X	X	X	X	X							
Adams	2	X	X	X	X	X							
Allamakee	3												
Appanoose	4	X	X	X	X	X				X	X		X
Audubon	5	X	X	X	X	X			X				
Benton	6												
Black Hawk	7										X		
Boone	8		X			X				X	X	X	X
Bremer	9												
Buchanan	10												
Buena Vista	11												
Butler	12		X	X	X	X							
Calhoun	13	X	X	X	X	X							
Carroll	14					X							
Cass	15		X	X	X	X							
Cedar	16												
Cerro Gordo	17												
Cherokee	18												
Chickasaw	19		X		X						X		
Clarke	20	X	X			X				X	X		X
Clay	21												
Clayton	22												
Clinton	23	X	X		X	X							
Crawford	24												
Dallas	25												
Davis	26	X	X	X	X	X							
Decatur	27		X	X	X	X							
Delaware	28												
Des Moines	29			X							X		
Dickinson	30	X				X							
Dubuque	31												
Emmet	32	X				X							
Fayette	33	X			X								
Floyd	34												

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Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2004

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		A(1)	A(2)	A(3)	A(4)	A(5)	A(6)	B	C(1)	C(2)	C(3)	C(4)	C(5)
Franklin	35					X				X			
Fremont	36		X		X								
Greene	37		X	X		X					X		
Grundy	38		X		X						X		
Guthrie	39		X		X	X							
Hamilton	40												
Hancock	41	X	X	X	X	X					X		
Hardin	42	X				X					X		
Harrison	43	X	X	X	X	X							
Henry	44	X	X	X	X	X				X	X		
Howard	45	X	X	X		X							
Humboldt	46	X	X	X	X	X					X		
Ida	47	X	X	X	X	X					X		X
Iowa	48	X				X							
Jackson	49		X										
Jasper	50												
Jefferson	51					X							
Johnson	52				X								
Jones	53												
Keokuk	54												
Kossuth	55												
Lee	56	X			X	X							
Linn	57												
Louisa	58	X									X		
Lucas	59	X	X	X	X	X				X	X		
Lyon	60		X		X	X							
Madison	61					X							
Mahaska	62	X	X	X	X	X							
Marion	63			X						X	X		X
Marshall	64										X		
Mills	65	X	X	X	X	X							
Mitchell	66	X	X	X	X	X							
Monona	67												
Monroe	68	X	X	X	X	X							
Montgomery	69		X			X			X				

Finding										Statutory Finding				
C(6)	C(7)	D	E	F	G	H	I	J		1	2(a)	2(b)	3	4
						X		X						
						X								
						X						X		
						X								
						X								
						X		X						
			X			X	X	X						X
X										X				X
						X								
		X				X	X	X				X		
								X						
				X		X	X							
											X			
						X		X						
						X	X							
						X		X						
						X								
								X						
							X	X						
							X	X						
								X						
						X	X	X						
						X		X						
			X											
								X						
		X				X		X						
						X		X						
						X								
						X								

Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2004

The following comment items correspond to the conditions noted in the comments and recommendations section of this report. The purpose of this summary is to identify the County Clerk of District Court Offices the specific items relate to (designated by an "X"). Since comments and recommendations (K) and (L) apply to all County Clerk of District Court Offices, they are not included on the Matrix.

County Name	County Number	Internal Control											
		A(1)	A(2)	A(3)	A(4)	A(5)	A(6)	B	C(1)	C(2)	C(3)	C(4)	C(5)
Muscatine	70	X				X							
O'Brien	71	X	X	X	X	X							
Osceola	72		X							X			
Page	73	X	X	X		X							
Palo Alto	74	X	X		X								
Plymouth	75	X					X	X					
Pocahontas	76	X	X	X	X	X							
Polk	77												
Pottawattamie	78												
Poweshiek	79	X	X	X	X		X						
Ringgold	80	X	X	X	X	X					X		
Sac	81					X				X			
Scott	82												
Shelby	83	X	X	X	X	X							
Sioux	84												
Story	85												
Tama	86												
Taylor	87	X	X	X	X	X							
Union	88	X	X	X	X								
Van Buren	89	X	X		X	X				X	X	X	
Wapello	90	X											
Warren	91	X		X	X	X				X	X		X
Washington	92					X							
Wayne	93	X	X	X	X	X							
Webster	94												
Winnebago	95					X							
Winneshiek	96	X	X		X								
Woodbury	97		X	X		X					X		X
Worth	98	X	X	X	X	X							
Wright	99	X	X	X	X	X							

Finding									Statutory Finding				
C(6)	C(7)	D	E	F	G	H	I	J	1	2(a)	2(b)	3	4
							X						
						X							
						X		X					
						X		X			X		
						X	X						
		X			X	X		X					
						X	X	X					
						X							
						X	X						
						X		X					
						X		X					
						X		X					
						X		X					
						X		X					
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						X	X	X	X				
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						X	X	X					
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